113TH CONGRESS 1ST SESSION	S.	
1st Session	5.	

To improve the Federal Housing Administration and to ensure the solvency of the Mutual Mortgage Insurance Fund, and for other purposes.

IN THE SENATE OF THE UNITED STATES

	introduced th	ne following	bill;	which	was	read	twice
and referred to	the Committe	e on					

A BILL

To improve the Federal Housing Administration and to ensure the solvency of the Mutual Mortgage Insurance Fund, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.
- 4 (a) Short Title.—This Act may be cited as the
- 5 "FHA Solvency Act of 2013".
- 6 (b) Table of Contents.—The table of contents for
- 7 this Act is as follows:
 - Sec. 1. Short title; table of contents.
 - Sec. 2. Mortgage insurance premiums.
 - Sec. 3. Indemnification by FHA mortgagees.
 - Sec. 4. Review of mortgagee performance.
 - Sec. 5. Easing regulatory burdens; resource guide.

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Sec	h	Improving	underwriting	grandardg
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- Sec. 7. Ensuring adequate capital levels in the Mutual Mortgage Insurance Fund.
- Sec. 8. Establishment of Deputy Assistant Secretary and Chief Risk Officer of FHA.
- Sec. 9. Disclosure of events.
- Sec. 10. GAO study on disclosures.
- Sec. 11. Stabilizing the HECM program.
- Sec. 12. Publication of final rules relating to limiting seller contributions towards purchase related expenses.

1 SEC. 2. MORTGAGE INSURANCE PREMIUMS.

2	(a) In General.—Section 203(c) of the National
3	Housing Act (12 U.S.C. 1709(c)) is amended—
4	(1) in paragraph (2)(B)—
5	(A) in the matter preceding clause (i)—
6	(i) by striking "may" and inserting
7	"shall";
8	(ii) by striking "not exceeding 1.5
9	percent" and inserting "not less than 0.55
10	percent"; and
11	(iii) by inserting "and not exceeding
12	2.0 percent of such remaining insured
13	principal balance" before "for the following
14	periods:"; and
15	(B) in clause (ii), by striking "1.55 per-
16	cent" and inserting "2.05 percent"; and
17	(2) by adding at the end the following:
18	"(3) Evaluation of up-front and annual
19	PREMIUMS.—

1	"(A) Annual review.—The Secretary
2	shall, at least annually, review—
3	"(i) the amount of the annual and up-
4	front premiums collected under this sub-
5	section; and
6	"(ii) the expected losses to the Mutual
7	Mortgage Insurance Fund, as such losses
8	are calculated in the annual independent
9	actuarial study required under section
10	202(a)(4).
11	"(B) REQUIRED ADJUSTMENTS.—Upon
12	completion of the review required under sub-
13	paragraph (A), the Secretary shall, for all mort-
14	gages that are to become an obligation of the
15	Mutual Mortgage Insurance Fund after the
16	date that such review is complete, adjust the
17	annual and up-front premiums applied to such
18	mortgages so that the premiums collected over
19	the life of such mortgages will exceed the ex-
20	pected losses of such mortgages to the Fund
21	plus amounts sufficient to ensure the capital re-
22	serve ratio remains at the level required under
23	section 205(f).
24	"(C) Rule of Construction.—Nothing
25	in this paragraph shall permit or be construed

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1	to permit the Secretary to apply different pre-
2	mium rates to the same mortgage product dur-
3	ing the same time period based solely on the
4	characteristics of the mortgagor.".

5 (b) Effective Date.—The amendments made by 6 subsection (a) take effect upon the expiration of the 6-7 month period beginning on the date of enactment of this 8 Act.

9 SEC. 3. INDEMNIFICATION BY FHA MORTGAGEES.

10 (a) IN GENERAL.—Section 202 of the National 11 Housing Act (12 U.S.C. 1708) is amended by adding at 12 the end the following new subsection:

"(i) Indemnification by Mortgagees.—

"(1) In General.—If the Secretary determines that a mortgage executed by a mortgagee approved by the Secretary under the direct endorsement program or insured by a mortgagee pursuant to the delegation of authority under section 256 contains a material defect such that the mortgage should not have been approved or endorsed for insurance, and a loan becomes delinquent within 36 months of such approval or endorsement leading to a default or the Secretary pays a claim within 36 months after such approval or endorsement, the Secretary may require the mortgagee approved by the Secretary under the

1	direct endorsement program or the mortgagee dele-
2	gated authority under section 256 to indemnify the
3	Secretary for the loss, irrespective of whether the
4	violation caused the mortgage default.
5	"(2) Fraud or misrepresentation.—If
6	fraud or misrepresentation was involved in connec-
7	tion with the origination, the Secretary shall require
8	the mortgagee approved by the Secretary under the
9	direct endorsement program or the mortgagee dele-
10	gated authority under section 256 to indemnify the
11	Secretary for the loss regardless of when an insur-
12	ance claim is paid.
13	"(3) Requirements and procedures.—The
14	Secretary shall issue regulations establishing—
15	"(A) appropriate requirements and proce-
16	dures governing the indemnification of the Sec-
17	retary by the mortgagee, including public re-
18	porting on—
19	"(i) the number of loans that—
20	"(I) were not originated in ac-
21	cordance with the requirements estab-
22	lished by the Secretary; and
23	"(II) involved fraud or misrepre-
24	sentation in connection with the origi-
25	nation; and

1	"(ii) the financial impact on the Mu-
2	tual Mortgage Insurance Fund when in-
3	demnification is required; and
4	"(B) an appeals process, or making any
5	necessary modifications or revisions to an exist-
6	ing appeals process of the Secretary, to appeal
7	any determination of indemnification made by
8	the Secretary pursuant to paragraph (1) or (2).
9	"(4) Applicability.—This subsection shall
10	only apply to mortgages insured under this title that
11	were originated on or after the date of enactment of
12	the FHA Solvency Act of 2013.
13	"(5) Deposit in the mutual mortgage in-
14	SURANCE FUND.—The Secretary shall deposit any
15	amounts collected pursuant to this subsection in,
16	and for the use of, the Mutual Mortgage Insurance
17	Fund.".
18	(b) Rule of Construction.—Nothing in sub-
19	section (a), or the amendment made by subsection (a),
20	shall be construed to supersede, alter, or in any way affect
21	the authorities granted to the Secretary of Housing and
22	Urban Development under section 256 of the National
23	Housing Act.

1	SEC. 4. REVIEW OF MORTGAGEE PERFORMANCE.
2	Section 533 of the National Housing Act (12 U.S.C.
3	1735f-11) is amended—
4	(1) by amending subsection (a) to read as fol-
5	lows:
6	"(a) Periodic Review of Mortgagee Perform-
7	ANCE.—To reduce losses in connection with single family
8	mortgage insurance programs under this Act, at least once
9	a year the Secretary shall review the mortgagees origi-
10	nating or underwriting insured single family mortgages.";
11	(2) by amending subsection (b) to read as fol-
12	lows:
13	"(b) Comparison With Other Mortgagees.—
14	"(1) In general.—In conducting the review
15	required under subsection (a), for each mortgagee
16	the Secretary shall compare that mortgagee with
17	other mortgagees originating or underwriting in-
18	sured single family mortgages based on the rates of
19	defaults and claims for insured single family mort-
20	gage loans originated or underwritten by that mort-
21	gagee. The Secretary may also compare that mort-
22	gagee with such other mortgagees based on—
23	"(A) underwriting quality;
24	"(B) geographic area served; or
25	"(C) any commonly used factors the Sec-
26	retary deems necessary for comparing mortgage

1	default risk, provided that such comparison is
2	of factors that the Secretary would expect to re-
3	duce the default risk of mortgages insured by
4	the Secretary.
5	"(2) Implementation.—In carrying out the
6	comparisons required under paragraph (1), the Sec-
7	retary shall implement such comparisons by regula-
8	tion, notice, or mortgagee letter."; and
9	(3) in subsection (c)—
10	(A) by striking paragraph (1) and insert-
11	ing the following:
12	"(1) TERMINATION AUTHORITY.—
13	"(A) In general.—Notwithstanding sec-
14	tion 202(c), the Secretary may terminate the
15	approval of a mortgagee to originate or under-
16	write single family mortgages if the Secretary
17	determines that the mortgage loans originated
18	or underwritten by the mortgagee present an
19	unacceptable risk to the insurance funds.
20	"(B) Basis for determining unaccept-
21	ABLE RISK.—For purposes of subparagraph
22	(A), a mortgagee may present an unacceptable
23	risk to the insurance funds based on—
24	"(i) a comparison of any of the fac-
25	tors set forth in subsection (b); or

1	"(ii) a determination that the mort-
2	gagee engaged in fraud or misrepresenta-
3	tion.";
4	(B) by redesignating paragraph (2) as
5	paragraph (3);
6	(C) by inserting after paragraph (1) the
7	following:
8	"(2) Applicability and enforcement.—The
9	authority granted to the Secretary under paragraph
10	(1) shall—
11	"(A) apply for any specified area or areas,
12	or on a nationwide basis; and
13	"(B) be made in accordance with any regu-
14	lation, notice, or mortgagee letter issued by the
15	Secretary."; and
16	(D) in paragraph (3) (as so redesig-
17	nated)—
18	(i) by striking "The Secretary shall
19	give" and inserting "(3) Notice and
20	RIGHT TO INFORMAL CONFERENCE.—The
21	Secretary shall give"; and
22	(ii) in the fourth sentence, by striking
23	"excessive default and claim rate" and in-
24	serting "finding of an unacceptable risk to
25	the insurance funds".

1 SEC. 5. EASING REGULATORY BURDENS; RESOURCE GUIDE.

- 2 (a) IN GENERAL.—Not later than 360 days after the
- 3 date of enactment of this Act, the Secretary of Housing
- 4 and Urban Development (in this section referred to as the
- 5 "Secretary") shall issue a single, uniform resource guide
- 6 to inform lenders and servicers of the policies, processes,
- 7 and procedures applicable to mortgages insured under title
- 8 II of the National Housing Act (12 U.S.C. 1707 et seq.).
- 9 (b) Content.—The resource guide required under
- 10 subsection (a) shall aggregate all forms, policies, and other
- 11 related information set forth in any handbooks, mortgagee
- 12 letters, guidebooks, notices, or bulletins issued by the Sec-
- 13 retary.
- 14 (c) UPDATING.—Beginning on the expiration of the
- 15 date set forth under subsection (a), whenever the Sec-
- 16 retary issues any new policy, process, or procedure, or re-
- 17 vises or otherwise amends any existing policy, process, or
- 18 procedure contained in the resource guide required under
- 19 subsection (a), such addition, revision, or amendment shall
- 20 be issued as an amendment to the resource guide.
- 21 (d) Public Availability; Website Access.—The
- 22 resource guide required under subsection (a) shall be made
- 23 available to the public and posted on the website of the
- 24 Department of the Housing and Urban Development.

1	(e) AUTHORIZATION OF APPROPRIATIONS.—There
2	are authorized to be appropriated such sums as are nec-
3	essary to carry out this section.
4	SEC. 6. IMPROVING UNDERWRITING STANDARDS.
5	(a) In General.—Not later than 180 days after the
6	date of enactment of this Act, the Secretary of Housing
7	and Urban Development shall, by mortgagee letter or rule
8	evaluate and revise as necessary the underwriting stand-
9	ards for mortgages eligible to be insured under title II of
10	the National Housing Act (12 U.S.C. 1707 et seq.), which
11	shall—
12	(1) be based on empirically derived, demon-
13	strably and statistically sound models; and
14	(2) include criteria, the evaluation of which has
15	historically resulted in comparatively low rates of de-
16	linquency and default during adverse economic con-
17	ditions.
18	(b) Criteria.—The underwriting standards under
19	subsection (a) shall include an evaluation of—
20	(1) the current or reasonably expected income
21	and financial resources of a borrower;
22	(2) the employment status of a borrower, if in-
23	come used under paragraph (1) is employment in-
24	come;

1	(3) the monthly payment of a borrower under	
2	the terms of a mortgage;	
3	(4) the monthly payment for any other loan	
4	held by the borrower;	
5	(5) the monthly payment for any obligations re-	
6	lated to the mortgage;	
7	(6) any other debt obligations of a borrower, in-	
8	cluding alimony and child support;	
9	(7) the monthly debt-to-income ratio or residual	
10	income of a borrower;	
11	(8) the credit history of a borrower; and	
12	(9) any other risk factor or criteria, as deter-	
13	mined appropriate by the Secretary.	
14	SEC. 7. ENSURING ADEQUATE CAPITAL LEVELS IN THE MU-	
15	TUAL MORTGAGE INSURANCE FUND.	
16	Section 205 of the National Housing Act (12 U.S.C.	
17	1711(f)) is amended—	
18	(1) in subsection (f)—	
19	(A) in paragraph (2), by striking "shall en-	
20	sure that the Fund maintains at least such cap-	
21	ital ratio at all times thereafter" and inserting	
22	"maintains such ratio thereafter, subject to	
23	paragraph (3)"; and	
24	(B) by amending paragraph (3) to read as	
25	follows:	

1	"(3) The Secretary shall ensure that the Mu-
2	tual Mortgage Insurance Fund attains a capital
3	ratio of not less than 3.0 percent within 10 years
4	after the date of enactment of the FHA Solvency
5	Act of 2013, and shall ensure that the Fund main-
6	tains at least such capital ratio at all times there-
7	after."; and
8	(2) by adding at the end the following:
9	"(g) Ensuring Adequate Capital Levels in the
10	MUTUAL MORTGAGE INSURANCE FUND.—
11	"(1) Effective date.—
12	"(A) In general.—Except as provided in
13	subparagraph (B), this subsection shall take ef-
14	fect on the date of enactment of the FHA Sol-
15	vency Act of 2013.
16	"(B) Exception for imposition of sur-
17	CHARGES.—
18	"(i) In General.—Paragraphs
19	(4)(D), (5)(D), and (6)(D) of this sub-
20	section—
21	"(I) shall not have any force or
22	effect during the 2-year period begin-
23	ning on the date of enactment of the
24	FHA Solvency Act of 2013; and

1	"(II) shall take effect upon the
2	earlier of—
3	"(aa) the expiration of the
4	2-year period set forth under
5	subclause (I), if in any annual
6	independent actuarial study re-
7	quired under section 202(a)(4)
8	the Mutual Mortgage Insurance
9	Fund is designated as critically
10	undercapitalized pursuant to
11	paragraph (6);
12	"(bb) the date the inde-
13	pendent actuary commissioned to
14	carry out the annual independent
15	actuarial study required under
16	section 202(a)(4) submits the re-
17	sults of the fiscal year 2016
18	study to the Secretary, if such
19	study finds that the Mutual
20	Mortgage Insurance Fund has
21	not achieved the capital ratio re-
22	quired to be maintained under
23	subsection $(f)(1)$;
24	"(cc) any date occurring
25	after the date set forth under

1	item (bb), but prior to any date
2	set forth under items (dd) or
3	(ee), if in any annual inde-
4	pendent actuarial study required
5	under section 202(a)(4) the inde-
6	pendent actuary commissioned to
7	carry out the study finds—
8	"(AA) that in compari-
9	son to the independent actu-
10	arial study submitted in the
11	most recent prior fiscal year,
12	the capital ratio of the Fund
13	has decreased; and
14	"(BB) the market
15	share for mortgages insured
16	under this title has not been
17	concurrently reduced thus
18	contributing to the decrease
19	in the capital ratio described
20	under subitem (AA);
21	"(dd) the date on which the
22	Mutual Mortgage Insurance
23	Fund attains a capital ratio of
24	3.0 percent; or

1	"(ee) the date that is 10
2	years after the date of enactment
3	of the FHA Solvency Act of
4	2013.
5	"(ii) Rule of construction.—For
6	purposes of this subsection, any finding
7	made under item (cc) of clause (i)(II) shall
8	be deemed to mean that the Mutual Mort-
9	gage Insurance Fund is undercapitalized
10	pursuant to paragraph (4) and that not-
11	withstanding the provisions of paragraph
12	(4)(D)(iv), the Secretary shall begin or
13	continue to collect any surcharge set forth
14	under paragraph (4)(D), until the earlier
15	of the date on which—
16	"(I) the next report of the Sec-
17	retary on the annual independent ac-
18	tuarial study required under section
19	202(a)(4) finds that in comparison to
20	the independent actuarial study sub-
21	mitted in the most recent prior fiscal
22	year, the capital ratio of the Fund has
23	increased;
24	"(II) the report of the Director
25	of the Office of Management and

DISCUSSION DRAFT

1	Budget required under paragraph (3)
2	finds that in comparison to the inde-
3	pendent actuarial study submitted in
4	the most recent prior fiscal year, the
5	capital ratio of the Fund has in-
6	creased; or
7	"(III) the Mutual Mortgage In-
8	surance Fund has been designated
9	significantly undercapitalized pursu-
10	ant to paragraph (5) or critically
11	undercapitalized pursuant to para-
12	graph (6) and the premium surcharge
13	applicable to any such designation has
14	taken effect.
15	"(2) Duty of Chief Risk officer.—Fol-
16	lowing the receipt by the Deputy Assistant Secretary
17	and Chief Risk Officer of the final completed report
18	for the fiscal year of the independent actuary com-
19	missioned to carry out the annual independent actu-
20	arial study required under section 202(a)(4) ana-
21	lyzing the capital ratio of the Mutual Mortgage In-
22	surance Fund, the Deputy Assistant Secretary and
23	Chief Risk Officer shall, as part of that individual's
24	regularly assigned duties and responsibilities, have a

duty to notify, within 24 hours, the Secretary of any

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failure to maintain the capital ratio of the Mutual Mortgage Insurance Fund as required under subsection (f).

"(3) OMB STUDIES AND REPORTS.—

"(A) For when fund is undercapital-IZED OR SIGNIFICANTLY UNDERCAPITALIZED.— If the Mutual Mortgage Insurance Fund is designated as undercapitalized or significantly undercapitalized pursuant to paragraphs (4) or (5), respectively, then not later than 180 days after date on which the Secretary submits the report on the annual independent actuarial study required under section 202(a)(4), and annually thereafter until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f), the Director of the Office of Management and Budget shall conduct an actuarial study of the Mutual Mortgage Insurance Fund and submit a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives analyzing the financial position of the Fund.

1	"(B) For when fund is critically
2	UNDERCAPITALIZED.—If the Mutual Mortgage
3	Insurance Fund is designated as critically
4	undercapitalized pursuant to paragraph (6),
5	then—
6	"(i) not later than the last day of the
7	current fiscal quarter in which the Con-
8	gress is informed of such events pursuant
9	to paragraph (6)(A), and every alternating
10	fiscal quarter thereafter until such time as
11	the Mutual Mortgage Insurance Fund
12	achieves the capital ratio required to be
13	maintained under subsection (f), the Direc-
14	tor of the Office of Management and
15	Budget shall conduct an actuarial study of
16	the Mutual Mortgage Insurance Fund and
17	submit a report to the Committee on
18	Banking, Housing, and Urban Affairs of
19	the Senate and the Committee on Finan-
20	cial Services of the House of Representa-
21	tives describing the results of such study
22	and analyzing the financial position of the
23	Fund; and
24	"(ii) not later than the last day of the
25	next subsequent fiscal quarter occurring

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after the date that Congress is informed of such events pursuant to paragraph (6)(A), and annually thereafter until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f), the Secretary shall provide for an independent actuarial study of the Mutual Mortgage Insurance Fund and submit a report to the Committee on Banking, Housing, Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives describing the results of such study and analyzing the financial position of the Fund. "(C) Failure to comply WITH RE-QUIRED TIMELINES.—If the Director of the Office of Management and Budget fails to comply with any timeline required under subparagraphs (A) or (B), the Director shall appear before the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives within 7 days of the last day of that dead-

1 line to provide testimony explaining the failure 2 to comply. 3 "(4) Corrective actions when fund is 4 UNDERCAPITALIZED.— 5 "(A) NOTICE TO CONGRESS.—Not later 6 than 7 days after the date on which the Sec-7 retary is informed that the Mutual Mortgage 8 Insurance Fund has a capital ratio of not less 9 than 50 percent but less than 100 percent of 10 the capital ratio required to be maintained 11 under subsection (f), the Secretary shall notify 12 the Chair and Ranking Member of the Com-13 mittee on Banking, Housing, and Urban Affairs 14 of the Senate and the Chair and Ranking Mem-15 ber of the Committee on Financial Services of 16 the House of Representatives of such shortfall, 17 and the exact date on which the Secretary was 18 informed of such shortfall. 19 "(B) Submission of Capital Restora-20 TION PLAN.—Not later than 30 days after the 21 date on which notice is provided under subpara-22 graph (A), the Secretary shall submit to the 23 Chair and Ranking Member of the Committee 24 on Banking, Housing, and Urban Affairs of the 25 Senate and the Chair and Ranking Member of

the Committee on Financial Services of the House of Representatives a capital restoration plan, including a timeline for implementation of such plan, to achieve the capital ratio required to be maintained under subsection (f). The plan required under this subparagraph shall be revised annually until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f).

"(C) Congressional testimony.—Not later than 45 days after the date on which notice is provided under subparagraph (A), and annually thereafter until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f), the Secretary shall provide testimony to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the capital status of the Fund and the performance or projected performance of the plan submitted under subparagraph (B).

1	"(D) Imposition of premium sur-
2	CHARGE.—
3	"(i) In General.—Notwithstanding
4	any limitation on the amount of any pre-
5	mium payment set forth under section
6	203(e), in addition to the premiums col-
7	lected under subparagraphs (A), (B), and
8	(C) of paragraph (2) of section 203(c), if
9	the Mutual Mortgage Insurance Fund is
10	designated as undercapitalized pursuant to
11	this paragraph, the Secretary shall estab-
12	lish and collect annual premium payments
13	for any newly insured mortgage for which
14	the Secretary collects an annual premium
15	payment under section 203(e), except for
16	those mortgages insured pursuant to sec-
17	tion 255, in an amount described in clause
18	(ii).
19	"(ii) Amount of Surcharge.—With
20	respect to a mortgage, the amount de-
21	scribed in this clause is 10 basis points of
22	the remaining insured principal balance
23	(excluding the portion of the remaining
24	balance attributable to the premium col-
25	lected under paragraph (2)(A) of section

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1	203(c) and without taking into account de-
2	linquent payments or prepayments).
3	"(iii) Effective date.—
4	"(I) In general.—Subject to
5	subclause (II), the requirement to col-
6	lect the annual premium payment set
7	forth under this subparagraph shall
8	take effect on the date that is 180
9	days after the date on which notice is
10	provided to Congress under subpara-
11	graph (A).
12	"(II) Delay.—The effective date
13	of the requirement to collect the an-
14	nual premium payment set forth
15	under this subparagraph may be ex-
16	tended for an additional 180 days, if
17	prior to the expiration of the initial
18	180-day time period described under
19	subclause (I), the report of the Direc-
20	tor of the Office of Management and
21	Budget required under paragraph
22	(3)(A)—
23	"(aa) is submitted to Con-
24	gress; and

I	"(bb) finds that the Mutual
2	Mortgage Insurance Fund has
3	achieved the capital ratio re-
4	quired to be maintained under
5	subsection (f).
6	"(III) REINSTITUTION OF SUR-
7	CHARGE.—Notwithstanding sub-
8	clauses (I) and (II), if the next report
9	of the Secretary on the annual inde-
10	pendent actuarial study required
11	under section 202(a)(4) that is sub-
12	mitted after the report of the Director
13	of the Office of Management and
14	Budget described in subclause (II)
15	finds that the Mutual Mortgage In-
16	surance Fund has not achieved the
17	capital ratio required to be main-
18	tained under subsection (f), then the
19	effective date of the requirement to
20	collect the annual premium payment
21	set forth under this subparagraph
22	shall be the date that is 30 days after
23	the date on which such report is sub-
24	mitted to Congress.

1	"(iv) Cessation of Application.—
2	The Secretary shall not be required to col-
3	lect the annual premium payment set forth
4	under this subparagraph, if, at any time
5	after the date on which such requirement
6	has gone into effect, either—
7	"(I) the report of the Secretary
8	on the annual independent actuarial
9	study required under section
10	202(a)(4) finds that the Mutual Mort-
11	gage Insurance Fund has achieved the
12	capital ratio required to be main-
13	tained under subsection (f);
14	"(II) the report of the Director
15	of the Office of Management and
16	Budget required under paragraph (3)
17	finds that the Mutual Mortgage In-
18	surance Fund has achieved the capital
19	ratio required to be maintained under
20	subsection (f); or
21	"(III) the Mutual Mortgage In-
22	surance Fund has been designated
23	significantly undercapitalized pursu-
24	ant to paragraph (5) or critically
25	undercapitalized pursuant to para-

1	graph (6) and the premium surcharge
2	applicable to any such designation has
3	taken effect.
4	"(5) Corrective actions when fund is sig-
5	NIFICANTLY UNDERCAPITALIZED.—
6	"(A) Notice to congress.—Not later
7	than 7 days after the date on which the Sec-
8	retary is informed that the Mutual Mortgage
9	Insurance Fund has a capital ratio of not less
10	than 0 percent but less than 50 percent of the
11	capital ratio required to be maintained under
12	subsection (f), the Secretary shall notify the
13	Chair and Ranking Member of the Committee
14	on Banking, Housing, and Urban Affairs of the
15	Senate and the Chair and Ranking Member of
16	the Committee on Financial Services of the
17	House of Representatives of such shortfall, and
18	the date on which the Secretary was informed
19	of such shortfall.
20	"(B) Submission of Revised Capital
21	RESTORATION PLAN.—Not later than 30 days
22	after the date on which notice is provided under
23	subparagraph (A), the Secretary shall submit to
24	the Chair and Ranking Member of the Com-
25	mittee on Banking, Housing, and Urban Affairs

of the Senate and the Chair and Ranking Member of the Committee on Financial Services of the House of Representatives a capital restoration plan, or a revised capital restoration plan, including a timeline for implementation of such plan or revised plan, to achieve the capital ratio required to be maintained under subsection (f). The plan required under this subparagraph shall be revised annually until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f).

"(C) Congressional Testimony.—Not later than 45 days after the date on which notice is provided under subparagraph (A), and every 180 days thereafter until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f), the Secretary shall provide testimony to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the capital status of the Fund and the performance or projected per-

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1	formance of the revised capital restoration plan
2	submitted under subparagraph (B).
3	"(D) Imposition of premium sur-
4	CHARGE.—
5	"(i) In General.—Notwithstanding
6	any limitation on the amount of any pre-
7	mium payment set forth under section
8	203(c), in addition to the premiums col-
9	lected under subparagraphs (A), (B), and
10	(C) of paragraph (2) of section 203(c), if
11	the Mutual Mortgage Insurance Fund is
12	designated as significantly undercapitalized
13	pursuant to this paragraph, the Secretary
14	shall establish and collect annual premium
15	payments for any newly insured mortgage
16	for which the Secretary collects an annual
17	premium payment under section 203(c),
18	except for those mortgages insured pursu-
19	ant to section 255, in an amount described
20	in clause (ii).
21	"(ii) Amount of surcharge.—With
22	respect to a mortgage, the amount de-
23	scribed in this clause is 20 basis points of
24	the remaining insured principal balance
25	(excluding the portion of the remaining

1	balance attributable to the premium col-
2	lected under paragraph (2)(A) of section
3	203(c) and without taking into account de-
4	linquent payments or prepayments).
5	"(iii) Effective date.—
6	"(I) In general.—Subject to
7	subclause (II), the requirement to col-
8	lect the annual premium payment set
9	forth under this subparagraph shall
10	take effect on the date that is 180
11	days after the date on which notice is
12	provided to Congress under subpara-
13	graph (A).
14	"(II) Delay.—The effective date
15	of the requirement to collect the an-
16	nual premium payment set forth
17	under this subparagraph shall be ex-
18	tended for an additional 180 days, if
19	prior to the expiration of the initial
20	180-day time period described under
21	subclause (I), the report of the Direc-
22	tor of the Office of Management and
23	Budget required under paragraph
24	(3)(A)—

1	"(aa) is submitted to Con-
2	gress; and
3	"(bb) finds that the Mutual
4	Mortgage Insurance Fund—
5	"(AA) has achieved the
6	capital ratio required to be
7	maintained under subsection
8	(f); or
9	"(BB) has a capital
10	ratio of not less than 50
11	percent but less than 100
12	percent of the capital ratio
13	required to be maintained
14	under subsection (f), at
15	which point the provisions of
16	paragraph (4)(D) shall be
17	applicable, except that the
18	provisions of clause (iii) of
19	such paragraph (4)(D) shall
20	not be applicable and that
21	the premium surcharge ap-
22	plicable to such paragraph
23	shall take effect within 30
24	days of the issuance of such
25	report.

1	"(III) REINSTITUTION OF SUR-
2	CHARGE.—Notwithstanding sub-
3	clauses (I) and (II), if the next report
4	of the Secretary on the annual inde
5	pendent actuarial study required
6	under section 202(a)(4) that is sub-
7	mitted after the report of the Director
8	of the Office of Management and
9	Budget described in subclause (II)
10	finds that the Mutual Mortgage In-
11	surance Fund has a capital ratio or
12	not less than 0 percent but less than
13	50 percent of the capital ratio re-
14	quired to be maintained under sub-
15	section (f), then the effective date or
16	the requirement to collect the annua
17	premium payment set forth under this
18	subparagraph shall be the date that is
19	30 days after the date on which such
20	report is submitted to Congress.
21	"(iv) Cessation of Application.—
22	The Secretary shall not be required to col-
23	lect the annual premium payment set forth
24	under this subparagraph, if, at any time

1	after the date on which such requirement
2	has gone into effect, either—
3	"(I) the report of the Secretary
4	on the annual independent actuarial
5	study required under section
6	202(a)(4) finds that the Mutual Mort-
7	gage Insurance Fund—
8	"(aa) has achieved the cap-
9	ital ratio required to be main-
10	tained under subsection (f); or
11	"(bb) has a capital ratio of
12	not less than 50 percent but less
13	than 100 percent of the capital
14	ratio required to be maintained
15	under subsection (f), at which
16	point the provisions of paragraph
17	(4)(D) shall be applicable, except
18	that the provisions of clause (iii)
19	of such paragraph (4)(D) shall
20	not be applicable and that the
21	premium surcharge applicable to
22	such paragraph shall take effect
23	within 30 days of the issuance of
24	such report;

1	"(II) the report of the Director
2	of the Office of Management and
3	Budget required under paragraph (3)
4	finds that the Mutual Mortgage In-
5	surance Fund—
6	"(aa) has achieved the cap-
7	ital ratio required to be main-
8	tained under subsection (f); or
9	"(bb) has a capital ratio of
10	not less than 50 percent but less
11	than 100 percent of the capital
12	ratio required to be maintained
13	under subsection (f), at which
14	point the provisions of paragraph
15	(4)(D) shall be applicable, except
16	that the provisions of clause (iii)
17	of such paragraph (4)(D) shall
18	not be applicable and that the
19	premium surcharge applicable to
20	such paragraph shall take effect
21	within 30 days of the issuance of
22	such report; or
23	"(III) the Mutual Mortgage In-
24	surance Fund has been designated
25	critically undercapitalized pursuant to

1	paragraph (6) and the premium sur-
2	charge applicable to any such designa-
3	tion has taken effect.
4	"(E) REQUIRED EXAMINATION OF UNDER-
5	WRITING REQUIREMENTS.—If the Mutual Mort-
6	gage Insurance Fund is designated as signifi-
7	cantly undercapitalized pursuant to this para-
8	graph, the Secretary shall—
9	"(i) not later than 30 days after the
10	date on which notice is provided under
11	subparagraph (A), examine all of its prod-
12	uct lines, product or insurance features,
13	and underwriting criteria for ways to
14	strengthen and enhance such products,
15	features, or criteria to limit losses to the
16	Mutual Mortgage Insurance Fund;
17	"(ii) in carrying out the requirement
18	under clause (i), undertake such examina-
19	tion actions as are necessary to reduce the
20	financial vulnerability of the Mutual Mort-
21	gage Insurance Fund from those risk char-
22	acteristics or product lines that most con-
23	tribute to the default of mortgages insured
24	under section 202, including by reviewing
25	the underwriting and servicing standards

1	for mortgages to be insured by the Sec-
2	retary, including, but not limited to, a re-
3	view of—
4	"(I) the amount of cash or its
5	equivalent required to be paid on ac-
6	count of the property subject to a
7	mortgage that is an obligation of the
8	Fund;
9	"(II) servicer compliance with
10	any loan servicing or loss mitigation
11	guidelines of the Secretary; and
12	"(III) economic conditions
13	present in the housing market, pro-
14	vided there is a demonstrated likeli-
15	hood that the policies of the Secretary
16	would impact those economic condi-
17	tions; and
18	"(iii) submit to the Committee on
19	Banking, Housing, and Urban Affairs of
20	the Senate and the Committee on Finan-
21	cial Services of the House of Representa-
22	tives any analysis, findings, or rec-
23	ommendations used or made by the Sec-
24	retary to carry out the requirements of this
25	subparagraph.

1 "(6) Corrective actions when fund is 2 CRITICALLY UNDERCAPITALIZED.— 3 "(A) NOTICE TO CONGRESS.—Not later 4 than 7 days after the date on which the Sec-5 retary is informed that the Mutual Mortgage 6 Insurance Fund has a capital ratio of less than 7 0 percent of the capital ratio required to be 8 maintained under subsection (f), the Secretary 9 shall notify the Chair and Ranking Member of 10 Committee on Banking, Housing, and 11 Urban Affairs of the Senate and the Chair and 12 Ranking Member of the Committee on Finan-13 cial Services of the House of Representatives of 14 such shortfall, and the date on which the Sec-15 retary was informed of such shortfall. 16 "(B) Submission of further revised 17 CAPITAL RESTORATION PLAN.—Not later than 18 30 days after the date on which notice is pro-19 vided under subparagraph (A), the Secretary 20 shall jointly submit with the Secretary of the 21 Treasury to the Chair and Ranking Member of 22 the Committee on Banking, Housing, and 23 Urban Affairs of the Senate and the Chair and 24 Ranking Member of the Committee on Finan-

cial Services of the House of Representatives a

capital restoration plan, or a revised capital restoration plan, including a timeline for implementation of such plan, to achieve the capital ratio required to be maintained under subsection (f). The plan required under this subparagraph shall be revised and submitted annually with the Secretary of the Treasury, until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f).

"(C) Congressional testimony.—Not later than 45 days after the date on which notice is provided under subparagraph (A), and every 180 days thereafter until such time as the Mutual Mortgage Insurance Fund achieves the capital ratio required to be maintained under subsection (f), the Secretary and the Secretary of the Treasury shall each provide testimony to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the capital status of the Fund and the success or failure of the further revised capital restoration plan submitted under subparagraph (B).

1	"(D) Imposition of premium sur-
2	CHARGE.—
3	"(i) In General.—Notwithstanding
4	any limitation on the amount of any pre-
5	mium payment set forth under section
6	203(c), in addition to the premiums col-
7	lected under subparagraphs (A), (B), and
8	(C) of paragraph (2) of section 203(e), if
9	the Mutual Mortgage Insurance Fund is
10	designated as critically undercapitalized
11	pursuant to this paragraph, the Secretary
12	shall establish and collect annual premium
13	payments for any newly insured mortgage
14	for which the Secretary collects an annual
15	premium payment under section 203(c),
16	except for those mortgages insured pursu-
17	ant to section 255, in an amount described
18	in clause (ii).
19	"(ii) Amount of surcharge.—With
20	respect to a mortgage, the amount de-
21	scribed in this clause is 30 basis points of
22	the remaining insured principal balance
23	(excluding the portion of the remaining
24	balance attributable to the premium col-
25	lected under paragraph (2)(A) of section

1	203(c) and without taking into account de
2	linquent payments or prepayments).
3	"(iii) Effective date.—
4	"(I) In General.—Subject to
5	subclause (II), the requirement to col
6	lect the annual premium payment se
7	forth under this subparagraph shal
8	take effect on the date that is 180
9	days after the date on which notice is
10	provided to Congress under subpara
11	graph (A).
12	"(II) Delay.—The effective date
13	of the requirement to collect the an
14	nual premium payment set forth
15	under this subparagraph shall be ex
16	tended for an additional 180 days, i
17	prior to the expiration of the initia
18	180-day time period described under
19	subclause (I), the report of the Direc
20	tor of the Office of Management and
21	Budget required under paragraph
22	(3)(B)(i)—
23	"(aa) is submitted to Con
24	gress; and

1	"(bb) finds that the Mutual
2	Mortgage Insurance Fund—
3	"(AA) has achieved the
4	capital ratio required to be
5	maintained under subsection
6	(f);
7	"(BB) has a capital
8	ratio of not less than 50
9	percent but less than 100
10	percent of the capital ratio
11	required to be maintained
12	under subsection (f), at
13	which point the provisions of
14	paragraph (4)(D) shall be
15	applicable, except that the
16	provisions of clause (iii) of
17	such paragraph (4)(D) shall
18	not be applicable and that
19	the premium surcharge ap-
20	plicable to such paragraph
21	shall take effect within 30
22	days of the issuance of such
23	report; or
24	"(CC) has a capital
25	ratio of not less than 0 per-

1	cent but less than 50 per-
2	cent of the capital ratio re-
3	quired to be maintained
4	under subsection (f), at
5	which point the provisions of
6	paragraph (5)(D) shall be
7	applicable, except that the
8	provisions of clause (iii) of
9	such paragraph (5)(D) shall
10	not be applicable and that
11	the premium surcharge ap-
12	plicable to such paragraph
13	shall take effect within 30
14	days of the issuance of such
15	report.
16	"(III) REINSTITUTION OF SUR-
17	CHARGE.—Notwithstanding sub-
18	clauses (I) and (II), if within 1 cal-
19	endar year any report of the Director
20	of the Office of Management and
21	Budget required under paragraph
22	(3)(B)(i) or of the Secretary under
23	paragraph (3)(B)(ii) finds that the
24	Mutual Mortgage Insurance Fund has
25	a capital ratio of less than 0 percent

1	of the capital ratio required to be
2	maintained under subsection (f), then
3	the effective date of the requirement
4	to collect the annual premium pay-
5	ment set forth under this subpara-
6	graph shall be the date that is 30
7	days after the date on which such re-
8	port is submitted to Congress.
9	"(iv) Cessation of Application.—
10	The Secretary shall not be required to col-
11	lect the annual premium payment set forth
12	under this subparagraph, if, at any time
13	after the date on which such requirement
14	has gone into effect, either—
15	"(I) the report of the Secretary
16	on the annual independent actuarial
17	study required under section
18	202(a)(4) finds that the Mutual Mort-
19	gage Insurance Fund—
20	"(aa) has achieved the cap-
21	ital ratio required to be main-
22	tained under subsection (f);
23	"(bb) has a capital ratio of
24	not less than 50 percent but less
25	than 100 percent of the capital

1	ratio required to be maintained
2	under subsection (f), at which
3	point the provisions of paragraph
4	(4)(D) shall be applicable, except
5	that the provisions of clause (iii)
6	of such paragraph (4)(D) shall
7	not be applicable and that the
8	premium surcharge applicable to
9	such paragraph shall take effect
10	within 30 days of the issuance of
11	such report; or
12	"(ce) has a capital ratio of
13	not less than 0 percent but less
14	than 50 percent of the capital
15	ratio required to be maintained
16	under subsection (f), at which
17	point the provisions of paragraph
18	(5)(D) shall be applicable, except
19	that the provisions of clause (iii)
20	of such paragraph (5)(D) shall
21	not be applicable and that the
22	premium surcharge applicable to
23	such paragraph shall take effect
24	within 30 days of the issuance of
25	such report; or

1	"(II) the report of the Director
2	of the Office of Management and
3	Budget required under paragraph (3)
4	finds that the Mutual Mortgage In-
5	surance Fund—
6	"(aa) has achieved the cap-
7	ital ratio required to be main-
8	tained under subsection (f);
9	"(bb) has a capital ratio of
10	not less than 50 percent but less
11	than 100 percent of the capital
12	ratio required to be maintained
13	under subsection (f), at which
14	point the provisions of paragraph
15	(4)(D) shall be applicable, except
16	that the provisions of clause (iii)
17	of such paragraph (4)(D) shall
18	not be applicable and that the
19	premium surcharge applicable to
20	such paragraph shall take effect
21	within 30 days of the issuance of
22	such report; or
23	"(cc) has a capital ratio of
24	not less than 0 percent but less
25	than 50 percent of the capital

1 ratio required to be maintained 2 under subsection (f), at which 3 point the provisions of paragraph 4 (5)(D) shall be applicable, except 5 that the provisions of clause (iii) 6 of such paragraph (5)(D) shall 7 not be applicable and that the 8 premium surcharge applicable to 9 such paragraph shall take effect 10 within 30 days of the issuance of 11 such report. 12 "(E) REQUIRED ENHANCEMENTS TO UN-13 DERWRITING REQUIREMENTS.—If the Mutual 14 Mortgage Insurance Fund is designated as 15 critically undercapitalized pursuant to this 16 paragraph, the Secretary shall— 17 "(i) not later than 30 days after the 18 date on which notice is provided under 19 subparagraph (A), take such actions as 20 necessary to revise its product lines, prod-21 uct or insurances features, or underwriting 22 criteria in order to strengthen and enhance 23 such products, features, or criteria to limit 24 losses to the Mutual Mortgage Insurance 25 Fund;

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1	"(ii) in carrying out the requirement
2	under clause (i), undertake such actions as
3	are necessary to reduce the financial vul-
4	nerability of the Mutual Mortgage Insur-
5	ance Fund from those risk characteristics
6	or product lines that most contribute to
7	the default of mortgages insured under
8	section 202, such actions—
9	"(I) may include, but are not
10	limited to, a revision of the—
11	"(aa) amount of cash or its
12	equivalent required to be paid on
13	account of the property subject
14	to a mortgage that is an obliga-
15	tion of the Fund;
16	"(bb) servicer standards for
17	compliance with any loan serv-
18	icing or loss mitigation guidelines
19	of the Secretary; and
20	"(cc) treatment of loan
21	modification requests made by
22	borrowers having insurance pro-
23	vided under this title seeking as-
24	sistance under a modification
25	program of the Secretary; and

1	(Π) shall take into consideration
2	economic conditions present in the
3	housing market, provided there is a
4	demonstrated likelihood that the poli-
5	cies of the Secretary would impact
6	those economic conditions; and
7	"(iii) submit to the Committee on
8	Banking, Housing, and Urban Affairs of
9	the Senate and the Committee on Finan-
10	cial Services of the House of Representa-
11	tives any relevant final analysis used by
12	the Secretary to carry out the require-
13	ments of this subparagraph.
14	"(7) Mandatory Reevaluation.—Upon the
15	Mutual Mortgage Insurance Fund achieving the cap-
16	ital ratio required to be maintained under subsection
17	(f), the Secretary—
18	"(A) shall review any actions taken pursu-
19	ant to this subsection;
20	"(B) shall examine and determine wheth-
21	er—
22	"(i) the need to maintain such action
23	is necessary; and
24	"(ii) the repeal, revision, or amend-
25	ment of any such action can be carried out

1	without having any adverse effect on the
2	ability of the Fund to maintain the capital
3	ratio required under subsection (f); and
4	"(C) may, pursuant to any determination
5	under subparagraph (B) that no such adverse
6	effects exist, repeal, revise, or amend any such
7	action as the Secretary determines appro-
8	priate.".
9	SEC. 8. ESTABLISHMENT OF DEPUTY ASSISTANT SEC-
10	RETARY AND CHIEF RISK OFFICER OF FHA.
11	(a) In General.—Subsection (b) of section 4 of the
12	Department of Housing and Urban Development Act (42
13	U.S.C. 3533(b)) is amended—
14	(1) by striking "There shall be" and inserting
15	the following:
16	"(1) Establishment of commissioner.—
17	There shall be"; and
18	(2) by adding at the end the following:
19	"(2) Establishment of Deputy Assistant
20	SECRETARY AND CHIEF RISK OFFICER.—
21	"(A) APPOINTMENT.—There shall be in
22	the Department, within the Federal Housing
23	Administration, a Deputy Assistant Secretary
24	and Chief Risk Officer, who shall be appointed
25	by the Secretary and shall be responsible to the

1	Federal Housing Commissioner for all matters
2	relating to managing and mitigating risk to the
3	mortgage insurance funds of the Department
4	and ensuring the performance of mortgages in-
5	sured by the Department to protect borrowers
6	and taxpayers.
7	"(B) Responsibilities.—The Deputy As-
8	sistant Secretary and Chief Risk Officer estab-
9	lished under subparagraph (A) shall have—
10	"(i) comprehensive risk management
11	and regulatory knowledge in key risks, in-
12	cluding credit, interest rate, and oper-
13	ational risk;
14	"(ii) a sound understanding of the
15	tools and methodologies used to measure
16	and quantify risk, including the use of sta-
17	tistical models; and
18	"(iii) a broad understanding and
19	knowledge of mortgage industry best prac-
20	tices for risk management.
21	"(C) Underwriting report.—
22	"(i) In general.—Not later than 1
23	year after the date of enactment of the
24	FHA Solvency Act of 2013, and annually
25	thereafter, the Deputy Assistant Secretary

1 and Chief Risk Officer (or, if not	yet ap-
pointed, the Commissioner of the	Federal
3 Housing Administration) shall pre-	epare a
4 report on the underwriting standa	rds for
5 mortgages insured under title II of t	the Na-
6 tional Housing Act (12 U.S.C. 1	.707 et
7 seq.), which shall be submitted by t	the Sec-
8 retary to—	
9 "(I) the Committee on B	anking,
Housing, and Urban Affairs	of the
11 Senate; and	
12 "(II) the Committee on Fi	inancial
13 Services of the House of Repr	resenta-
14 tives.	
15 "(ii) Contents.—The report r	equired
under clause (i) shall include—	
17 "(I) for all mortgages	insured
18 under title II of the National F	Housing
Act that were made not less	than 6
20 months and not more than 36	months
before the date of the report, a	ın iden-
tification of the default risk cha	aracter-
23 istics as such characteristics ex	isted at
the time of origination of the	e mort-
gage based on risk factors the	hat are

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1	commonly used in evaluating mort-
2	gage default risk, including—
3	"(aa) the current or reason-
4	ably expected income and finan-

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"(bb) the employment status of a borrower, if income used under item (aa) is employment income;

> "(cc) the monthly mortgage payment of a borrower under the terms of a mortgage;

cial resources of a borrower;

"(dd) the monthly payment for any other loan held by the borrower;

"(ee) the monthly payment for any obligations related to the mortgage;

"(ff) any other debt obligations of a borrower, including alimony and child support;

"(gg) the monthly debt-toincome ratio or residual income of a borrower;

1	"(hh) the credit history of a
2	borrower; and
3	"(ii) any other risk factor,
4	as determined appropriate by the
5	Secretary;
6	"(II) in tabular format, the num-
7	ber of mortgages insured under title
8	II of the National Housing Act that
9	are in default and the rate of default
10	for—
11	"(aa) each for the character-
12	istics described in subclause (I);
13	"(bb) any multi-way com-
14	bination of the characteristics in
15	subclause (I) as determined ap-
16	propriate by the Secretary; and
17	"(cc) any additional multi-
18	way combination of the charac-
19	teristics in subclause (I) as may
20	be requested by the Chair or
21	Ranking Member of the Com-
22	mittee on Banking, Housing, and
23	Urban Affairs of the Senate or
24	the Chair or Ranking Member of
25	the Committee on Financial

1 Services of the House of Re	9 p-
2 resentatives, provided that t	he
Deputy Assistant Secretary as	nd
Chief Risk Officer (or, if not y	yet
5 appointed, the Commissioner	of
the Federal Housing Administr	ra-
7 tion) shall be provided an add	di-
8 tional 30-days from the date	of
9 receipt of such request to satis	sfy
0 such request;	
1 "(III) an analysis of mortgag	ges
insured under title II of the Nation	nal
Housing Act that were made not le	ess
than 6 months and not more than 5	36
5 months before the date of the repo	ort
and are in the lowest quartile as	nd
decile of loan performance, whi	ich
8 shall include—	
9 "(aa) a description of t	he
0 characteristics described in su	ıb-
clause (I) for mortgages in t	he
lowest quartile and decile of lo	an
performance; and	
4 "(bb) a comparison of t	he
5 characteristics described in su	ıb-

1	clause (I) between mortgages in
2	the lowest quartile and decile of
3	loan performance and all other
4	mortgages insured under title II
5	of the National Housing Act;
6	"(IV) recommendations by the
7	Deputy Assistant Secretary and Chief
8	Risk Officer for revisions to the un-
9	derwriting standards of the Secretary
10	for mortgages eligible to be insured
11	under title II of the National Housing
12	Act based on the findings of the re-
13	port, and a response to those rec-
14	ommendations from the Secretary
15	and
16	"(V) a quantitative analysis of
17	the effects of any revisions to the un-
18	derwriting standards made by the
19	Secretary in response to the findings
20	of a prior report, and any rec-
21	ommendations of the Deputy Assist-
22	ant Secretary and Chief Risk Officer
23	in response to those revisions.".
24	(b) Conforming Amendment.—Section 202(a)(4)
25	of the National Housing Act (12 U.S.C. 1708(a)(4)) is

- 1 amended by inserting after the first sentence the fol-
- 2 lowing: "The independent actuary commissioned to carry
- 3 out the annual independent actuarial study required under
- 4 this paragraph shall submit such study to the Deputy As-
- 5 sistant Secretary and Chief Risk Officer.".

6 SEC. 9. DISCLOSURE OF EVENTS.

- 7 Section 202(a)(4) of the National Housing Act (12
- 8 U.S.C. 1708(a)(4)) is amended—
- 9 (1) by striking "The Secretary shall" and in-
- serting the following:
- 11 "(1) IN GENERAL.—The Secretary shall"; and
- 12 (2) by adding at the end the following:
- 13 "(2) Disclosure of unforeseen events.—
- 14 "(A) IN GENERAL.—Prior to the submis-
- sion of any report of the Secretary under para-
- graph (1), the Secretary shall require that the
- independent actuary commissioned to perform
- the study required under paragraph (1) disclose
- to the Secretary any events or circumstances
- that occur after the study is completed but be-
- fore the report is submitted to Congress and
- that would have resulted in changes to the in-
- puts or assumptions the actuary used to make
- forecasts about the financial position of the
- Fund, if such changes are sufficiently signifi-

1	cant that a reasonable person would expect
2	them to substantially alter the actuary's fore-
3	casts of the economic value of the Fund or the
4	actuary's projections relating to the capital re-
5	serve ratio of the Fund.
6	"(B) Informing congress.—The Sec-
7	retary shall inform Congress of any disclosures
8	required under subparagraph (A) either by—
9	"(i) the submission of an addendum
10	to the report of the Secretary required
11	under paragraph (1); or
12	"(ii) a letter from the Secretary ad-
13	dressed to the Committee on Banking,
14	Housing, and Urban Affairs of the Senate
15	and the Committee on Financial Services
16	of the House of Representatives.".

7 SEC. 10. GAO STUDY ON DISCLOSURES.

(a) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Comptroller General of the United States shall conduct a one-time study of the relevant information disclosed by the Secretary of Housing and Urban Development in conjunction with the release of the annual actuarial report of the Secretary required under section 202(a)(4) of the National Housing Act (12 U.S.C. 1708(a)(4)).

1	(b) REQUIRED CONSULTATION.—In conducting the
2	study required under subsection (a), the Comptroller Gen-
3	eral shall consult, as appropriate, with prominent United
4	States academics with national recognition and significant
5	depth of experience in the housing market and the per-
6	formance of high loan-to-value lending.
7	(c) REQUIRED REVIEW.—In carrying out the study
8	required under subsection (a), the Comptroller General
9	shall review and make recommendations regarding—
10	(1) if a reasonable amount of relevant data and
11	analyses are being disclosed by the Secretary of
12	Housing and Urban Development to the public, for
13	research, in conjunction with the release of the an-
14	nual actuarial report of the Secretary required under
15	section 202(a)(4) of the National Housing Act (12
16	U.S.C. $1708(a)(4)$; and
17	(2) the disclosure by the Secretary of additional
18	relevant data and analyses to the public, for re-
19	search purposes.
20	(d) Follow up.—Not later than 12 months after the
21	release of the study required under subsection (a), the
22	Comptroller General shall conduct an additional report re-
23	garding the actions of the Secretary of Housing and
24	Urban Development in carrying out any recommendations

1	of the Comptroller General made pursuant to subsection
2	(e)(2).
3	SEC. 11. STABILIZING THE HECM PROGRAM.
4	(a) In General.—Section 255 of the National
5	Housing Act (12 U.S.C. 1715z–20) is amended—
6	(1) in subsection (d)(8)—
7	(A) by inserting "property maintenance,"
8	before "insurance"; and
9	(B) by inserting ", including matters that
10	set forth terms and provisions for establishing
11	escrow accounts, performing financial assess-
12	ments, or limiting the amount of any payment
13	made available under the mortgage" before the
14	semicolon; and
15	(2) in subsection (h)—
16	(A) in paragraph (1), by striking "; and"
17	and inserting a semicolon;
18	(B) in paragraph (2), by striking the pe-
19	riod and inserting "; and"; and
20	(C) by adding at the end the following new
21	paragraph:
22	"(3) by notice or mortgagee letter, establish any
23	additional or alternative requirements that the Sec-
24	retary, in his or her discretion, determines necessary
25	to more effectively carry out the purposes of the pro-

1	gram authorized under this section, and any such
2	notice or mortgagee letter shall take effect upon
3	issuance and expire not later than 24 months after
4	the date of issuance of the notice or mortgagee let-
5	ter.".
6	(b) Rulemaking.—
7	(1) In general.—In carrying out the author-
8	ity provided to the Secretary of Housing and Urban
9	Development under section 255(h)(3) of the Na-
10	tional Housing Act, as added by subsection (a), the
11	Secretary shall—
12	(A) not later than 90 days after the
13	issuance of the notice or mortgagee letter pur-
14	suant to such section, issue a notice of proposed
15	rulemaking addressing the same additional or
16	alternative requirements that are the subject of
17	the notice or mortgagee letter; and
18	(B) not later than 24 months after the
19	issuance of the notice of proposed rulemaking
20	required under subparagraph (A)—
21	(i) issue a final rule addressing the
22	same additional or alternative require-
23	ments that are the subject of the notice or
24	mortgagee letter; or

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1	(ii) withdraw the notice or mortgagee
2	letter.
3	(2) Failure to comply.—If the Secretary of
4	Housing and Urban Development fails to issue a
5	final rule by the end of the period described under
6	paragraph (1)(B)—
7	(A) the provisions of the notice or mort-
8	gagee letter at issue shall become null and void;
9	(B) the Secretary—
10	(i) shall not have authority to reissue
11	such notice or mortgagee letter; and
12	(ii) may only address the require-
13	ments that are the subject of the notice or
14	mortgagee letter at issue through the pro-
15	mulgation of a regulation pursuant to the
16	rulemaking requirements of title 5, United
17	States Code; and
18	(C) the Secretary and the Director of Of-
19	fice of Management and Budget shall appear
20	before the Committee on Banking, Housing,
21	and Urban Affairs of the Senate and the Com-
22	mittee on Financial Services of the House of
23	Representatives to provide testimony explaining
24	the failure to comply with the requirements of
25	this subsection.

1	SEC. 12. PUBLICATION OF FINAL RULES RELATING TO LIM-
2	ITING SELLER CONTRIBUTIONS TOWARDS
3	PURCHASE RELATED EXPENSES.
4	(a) REQUIRED COMPLETION OF RULE.—Not later
5	than 90 days after the date of enactment of this Act, the
6	Secretary of Housing and Urban Development shall—
7	(1) issue and publish its final rule to implement
8	the proposed rule entitled "Federal Housing Admin-
9	istration (FHA) Risk Management Initiatives: Re-
10	vised Seller Concessions" (77 Fed. Reg. 10695
11	(February 23, 2012)); and
12	(2) ensure that the final rule required under
13	paragraph (1)—
14	(A) limits the amount a seller or interested
15	third party, or both, may contribute towards
16	the purchase-related expenses of a borrower
17	without reducing the maximum insured amount
18	of a mortgage insured under title II of the Na-
19	tional Housing Act (12 U.S.C. 1707 et seq.);
20	and
21	(B) defines the acceptable types of ex-
22	penses that a seller or interested third party, or
23	both, may contribute under subparagraph (A),
24	such as closing costs, prepaid expenses, dis-
25	count points, up-front mortgage insurance pre-
26	miums, and interest rate buydowns.

- 1 (b) Failure to Comply.—If the Secretary of Hous-
- 2 ing and Urban Development fails to issue a final rule by
- 3 the end of the period described under subsection (a), the
- 4 Secretary and the Director of Office of Management and
- 5 Budget shall appear before the Committee on Banking,
- 6 Housing, and Urban Affairs of the Senate and the Com-
- 7 mittee on Financial Services of the House of Representa-
- 8 tives to provide testimony explaining the failure to comply
- 9 with the requirements of this section.